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Postwar Reconstruction

By: B.V. Narayanswamy

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The Dr. Sri. U. Abhayambal Memorial Lectures

POST-WAR RECONSTRUCTION

BY

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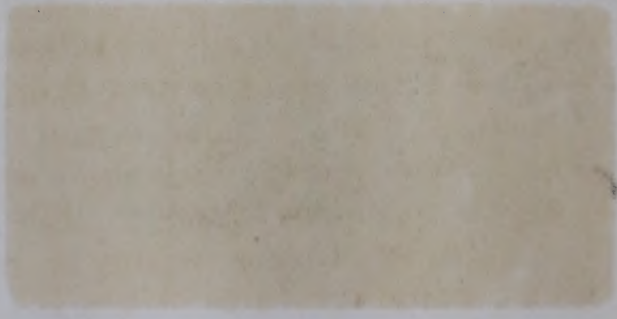

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LECTURE I

POST-WAR RECONSTRUCTION: INTERNATIONAL ASPECT

The Influence of the Present War:

The ideologies and practices of many a nation have been shaken to their foundations by the catastrophic impact of the present global war. The enormous destruction of material wealth in the form of harbours, ships, bridges, factories, etc., and the incalculable damage wrought upon the mind of man by the agony, toil, blood and sweat of war have set all sane people to explore a way out of this war and scare of war. Statesmen, economists and philosophers alike are now engaged in the discovery of the path that will lead mankind into a world of enduring peace and ever-increasing prosperity. Long before the Second Front was opened, even when the dark horizon of the United Nations had not been brightened by a single ray of victory, thinking men were convinced of the necessity that, after the present struggle, the world should not be allowed to drift unregulated back into the state of international anarchy, jealousy and bitterness. It is, therefore, no wonder that when victory for the United Nations is within sight, the world is full of talks of post-war reconstruction, and schemes of a new World Order. It is the devout wish of every humanitarian individual to usher in a Brave New World, with the blessings of full employment, stable economy and a high standard of living for all, regardless of class, colour or race. A vast number of plans, ranging from Utopian schemes to realistic approaches, have been suggested. A significant factor that is found in all these diverse programmes is the desire to avoid the recurrence of the kind of those post-war difficulties and disasters that overtook the world

after the last Great War. The lessons of the last Post-War period have been learnt at a terrible cost. The lamentable weakness of absence of sanctions on the part of the League of Nations, the unrestricted absolute sovereign powers of the national states, international rivalries, imperialistic ambitions, feverish search and scramble for raw materials and markets, and, above all, economic maladjustments of a chronic type were the most striking characteristics of the twenties which were reinforced and emphasised by the influence of the unprecedented Great Depression of 1929–31. All these factors led the world rapidly down a steep incline towards the unexampled fury of the present international hostilities. The end of the present war should not catch the peoples of the various countries unprepared to enjoy the fruits of peace ; that is why for the last two years conferences on different aspects of international collaboration have been held. The Hot Springs, Bretton Wood, Dumbarton Oaks and Rye Conferences, held one after another in quick succession, mark the different milestones in the arduous march of Allied humanity along the tortuous and trouble-laden road to the goal of durable peace and fully developed prosperity. The most vital requisite for achieving this noble aim of a new World Order is the realisation, by all the powers, of the need for concord of opinion and concerted action.

Post-war Problems :

The post-war years will have numerous problems to tackle and solve. It has become a cliche to say that there has been a great shrinkage of the world during the last 50 years owing to the phenomenal advance of science and the conquest of time and distance ; but this is a matter of the utmost importance in any project of bringing forth a new World Order. During the last $5\frac{1}{2}$ years of war, in the midst of devastation, science has made giant strides. Distance has been annihilated and political boundaries have lost much of their significance.

Mutual dependence has been enormously increased. Economic interdependence of the world has become such an unchallengeable fact that it is unwise to launch national economic reconstruction without taking into account the international background. National isolation has become an anachronism ; international co-operation and co-ordination is well on the way to be the *Sine Que Non* of a peaceful and progressive world.

Advanced versus Backward Countries :

The Pre-war World has left a legacy of numerous grounds of international conflict. First there is the conflict between the interests of the so-called advanced and backward countries. The desire of the former to keep the latter as hewers of wood and drawers of water will have to be abandoned if economic justice is to be done to all the nations in the world. The economic potentialities of the backward and undeveloped countries cannot be held up in the post-war era : but the advanced countries should not only readjust their economy but also lend a helping hand in the industrialization of the backward ones. This readjustment is a necessary pre-requisite for the ordered progress of mankind.

Imperial Powers versus Colonies :

Secondly, the distinction between the imperial powers and colonial countries will have to go. The distinction is more than a century old and it will be a hard task on the part of the former to shed their particular complex. Economic penetration has been a potent cause of the growth of Fascist imperialistic ambitions and of the Nazi demands to have Lebensraum and of the Japanese thrust into China and the Far East. A charter of fiscal and economic autonomy is indispensable to avert further wars on the score of economic aggression and exploitation of the weaker by the stronger powers.

Smaller versus Greater Powers :

Thirdly, the inter-war period had witnessed a gradual growth of suspicion and distrust on the part of the smaller powers towards the Big powers. The League of Nations, lacking vigorous executive powers, had remained helpless whenever the Big powers made wars of aggression on the smaller ones, *e.g.*, during the Japanese occupation of Manchuria and the Italian conquest of Abyssinia. The recent international conference held at Dumbarton Oaks shows that the Big Three want to set up a world Security Council under their own aegis to police the world. "To obviate the defects the League suffered from and to provide for an organisation which could act decisively and immediately on momentous occasions, the Security Council has been envisaged. To bring a delinquent state back on the right path it can adopt strong measures ; diplomatic and economic pressure, complete interruption of rail, sea, air, postal, telegraphic, wireless and other means of communications and severance of diplomatic and economic relations." So far as executive powers go, the conference has endowed the Security Council in an ample measure. But an underlying weakness and a potential danger of this proposal is that if the Big Three begin to exercise their giant strength for self-seeking ends, the Smaller powers will be subject to a kind of tyrannical and arbitrary authority the like of which the world has never seen. A reference to the deliberations of the Dumbarton Oaks has been made here only to emphasise the knotty problem that emerges out of the conflicting interests of the Big and Small powers. Complete abolition of war hinges to a large extent on the eradication of this conflict.

Two more Causes of Conflict :

Two further causes of conflict may be lightly touched upon in order to indicate the magnitude and complexity of post-war international problems. Many of the

countries that are to-day under the domination of the Axis powers will require the help and fostering care of the greater powers after their liberation. Whether they may be placed under a system modelled on the much discredited mandates is a question of vital significance. On the right answer to this question and on the peaceful settlement of this issue depends the prosperity of large sectors of the globe. Finally, the conflict between the white and coloured races which has been unfortunately kindled in recent times by the cantankerous attitude of the South African Government, must be amicably composed before it raises another conflagration.

Objectives of World Order and Obstructions :

So far we have been concerned with the knots and entanglements that might appear in the proposed mosaic of the new World Order. Assuming these knots are cut and entanglements unravelled, what are the objectives of this World Order? They are undoubtedly higher living standards for all, full employment, stable and ordered economic development and freer international trade. In order to reach these targets, the world will have to unlearn many things it learnt in the post-depression years. Protection of indigenous industries, tariff restrictions of international trade, the most-favoured nation clause, quota systems, exchange control, export subsidies to commodities in world surplus, regional arrangements such as Imperial Preference and the enforcement of Autarkic principles were some of the important characteristics of the decade that preceded the opening of the present hostilities. Competitive raising of tariff walls had arrested the free flow of international commerce and driven it into bogs and marshes ; competitive currency depreciation had reduced foreign trade into a gamble. The incubus of national economic self-sufficiency had shut down the markets to natural products and diverted huge proportions of industrial energy to the manufacture of costly synthetic substitutes.

The outcome of such suicidal economic policy was the cutting of the world into several separate entities, mutually exclusive and remarkably obtuse-minded ; these conditions led inevitably to falling standards of living and wilful waste of immense material wealth.

Security versus Sovereignty:

The one supreme fact that the world to-day has come to recognise out of the turmoils of the present war, is the intimate interdependence of various countries in economic matters. The basic need of a future World Order is a close co-ordination of the economic activities of all the nations. The successful achievement of this co-ordination calls for a drastic revision of the content of the term " national sovereignty." If the apotheosis of the state brooks no qualification, there is little chance for the world to realise security. The way in which the nations of the world agree to restrict their sovereign powers will determine whether they decide in favour of common prosperity or universal misery, squalor and war. It will be interesting to find out in what respects national sovereignty has got to be qualified in order to facilitate the inauguration of millennial conditions. They are concerned ultimately with international trade, international currency, food supply, transport and general business.

Future of International Trade:

The problem of free trade versus protection was solved in the years before the war by a universal leaning towards the latter. Even in England, the last stronghold of free trade, the McKenna Duties and the Safeguarding of Industries Act undermined it seriously while the passage of the Import Duties Act of 1932 and the enforcement of Imperial Preference sealed its fate; and, finally, the constitution of the Import Duties Advisory Committee gave the mortal blow to the policy in a country where it had been sacrosanct for about

a century. Thus the entire world had turned protectionist and restrictionist before the outbreak of the present war. To-day the world has become conscious, as never before, of the fact that that way lay ruin. It has been established beyond dispute that (for the purpose of raising the standard of life of all the peoples) international trade must be encouraged, and not impeded by State policy. At the same time this encouragement should not militate against the proper economic development of the backward countries and the satisfaction of their legitimte aspirations. The reconciliation of these two opposing aims is a matter of delicate balancing of merits and defects of international trade in particular commodities with reference to individual countries. This problem is full of difficulties, the solution of which lies not in permitting a free flow of goods and services across national boundaries but by a skilful handling of the tariffs. The tariff-making machinery controls the sluice that regulates the international flow of goods. The task of the tariff makers is onerous indeed. That is the reason for this subject getting the limelight at the present time. Tariff policy cannot be uniform for all the nations; it will vary with the different degrees of industrialization and with the variations in the natural economic resources of the countries. A mature industrial nation, like England, will adopt a policy quite dissimilar to that of a country like India which is in the throes of a new industrial era. The advanced industrial countries which used to export consumption goods to the backward ones will not be able to send them when the latter start industrializing themselves. In the place of consumption goods the latter may require production or capital goods like machinery and machine tools. International trade will continue, but its direction as well as character will undergo a radical change. In the evolution of a tariff policy, a recognition of the peculiar needs of other countries will become important. Multilateral trade agreements are needed more than bilateral ones. Finally, backward countries will have

to adopt a protective policy for some length of time although advanced countries can straightaway inaugurate a free trade policy.

Monetary and Financial Conference—Bretton Woods :

A sound monetary policy is a pre-requisite for the successful working of a trade policy as sketched above. The inter-war period has witnessed innumerable currency experiments—the operation and the breakdown of the gold and gold exchange standards, devaluations, fluctuating exchanges, the formation of currency groups, such as the sterling area and the gold block, the emergence of Exchange Equalisation Accounts, bilateral clearing agreements which were further complicated by reparation payments, liquidation of international indebtedness, token payments and moratoria. The experience gained therefrom must be of considerable help in the reform of the post-war international monetary system. At the same time it must be remembered that the problems of the future are somewhat different from those of the past ; the capital needs of backward areas, the problems of countries producing primary products, the reverse Lend-Lease, the liquidation of sterling balances, the question of rectifying the maldistribution of gold, constitute the most important among the multitude of problems facing the post-war world. Under the international gold standard, gold reserves were used to finance the adverse balance of trade. Owing to the chronic maldistribution of gold, many countries found the gap caused by excess of imports over exports too wide to bridge. Further, the process of adjustment of the balance of trade under the aegis of gold was a painful one involving as it did, deflation, falling prices and rising unemployment. A new device for effecting international payments without such evil consequences becomes a necessity for the free flow of international trade. It was a realisation of the complexity and magnitude of this problem that induced the United Nations to

hold the Bretton Woods Conference in July last. This Monetary and Financial Conference, in which 44 nations participated, had been preceded by world-wide discussion of the three International Currency Plans drawn by the United Kingdom, the United States of America and Canada. The deliberations of the Conference, rendered easy to that extent, have resulted in the Scheme of the International Monetary Fund which is a useful machinery for the indispensable international co-operation in the economic sphere. This Fund is not a clearing scheme for all monetary transactions ; nor can it be used for facilitating large capital movements. It seeks only to provide normal short term credit facilities on current trade account. Abnormal balances have been placed outside the scope of the Fund. In the transitional period as well as in the case of scarce currency, exchange restrictions both on current and capital transactions are permitted. One significant feature of this scheme is that it eliminates exchange control and other discriminatory currency practices from all current trade ; but exchange restrictions are permitted to be continued in the case of capital movements. In the initial stage, multilateral trade agreements are not made obligatory on the part of all the members of the Fund but are made the final goal. Countries on the threshold of an industrial revolution can find in this a great advantage because until their industries grow and learn to stand on their own legs some measure of protection can be afforded from the withering competition of advanced countries.

The fundamental concepts on which a proper working of this proposed Fund depends are international peace and political stability and internal political and economic order. The national currencies are given a more or less stable purchasing power in terms of other currencies. The success of this scheme will be measured by the extent to which the prosperity of all nations is promoted and the ideal of full employment is approached in all countries. Much of the success will depend

upon the altruistic policy pursued by the Executive Committee. By the time the International Monetary Fund begins to work after victory is won, it may sustain numerous modifications. Even so, it marks a definite step in the direction of international monetary and financial co-ordination.

Hot Springs, and the Food and Agricultural Organisation :

It is not merely in the movement of raw materials and manufactured goods to places where they are needed most that international prosperity lies. It hinges also upon a co-ordinated effort on the part of all the nations in increasing the world's food supply and in its equitable distribution among them. Taking the whole world as a unit, it is now common knowledge that there is an inadequate supply of food stuffs. This vital problem of feeding the world has been discussed fully at the International Food Conference held at Hot Springs, Virginia, in May 1943. The establishment of the United Nations' Relief and Rehabilitation Association had primarily the object of creating a short term relief organisation to deal with the urgent problems of the liberated areas. But the proposed Food and Agricultural Organisation has a higher objective, *viz.*, that of raising the level of nutrition among the peoples of the world, by securing improvement in the efficient production and distribution of all foodgrains and agricultural products and of bettering the conditions of the rural population. The Food and Agricultural Organisation will be also concerned with forestry and fisheries as well as agriculture, not only with food but also with non-food agricultural products, as fibres and oils. The constitution of the Food and Agricultural Organisation is another signal step in the direction of a closer international co-operation, to be achieved after the war.

Aviation Conference :

In this daily shrinking world, transport assumes cardinal importance. The problem of transport, particularly the most promising form of it, has been the subject of discussions at two Aviation Conferences held towards the close of last year. The British Commonwealth Civil Aviation Conference, held at Montreal, was concerned with the various questions from the Commonwealth point of view. But the General International Conference of Civil Aviation held on the 1st November 1944 at Chicago tried to tackle the problem for the whole world. Although this conference did not meet with success, it has served to emphasise the importance of air transport in the post-war world, and the zeal with which each nation would like to protect domestic transport from foreign competition. An amicable settlement of this issue depends upon the willingness of the United States Government to adopt a policy of "live and let live." If it should insist upon the right to free picking and dropping of passengers and cargo regardless of political boundaries, this problem will become critical.

International Business Conference :

That not only are Governments anxious to sink their differences and jealousies for the inauguration of an era of international good-will and prosperity, but that the businessmen of the world have also thought in the same vein is proved by the International Business Conference held in Atlantic City in November last, sponsored by the leading organisations of Business in the U.S.A. Its agenda included, among other things, such important questions as private enterprise, commercial policy, currency relations, encouragement and protection of investments, industrialization of new areas, shipping and aviation policy and international supplies of raw materials. Although discussions were on a non-official plane, the holding of the conference itself is

ample evidence of the desire of the businessmen of various nations to replace age-long competition and rancour by co-operation and good-will.

National Sovereignty to be Curtailed :

The various attempts that have been made in the last two years by the United Nations to arrive at an agreed formula in respect of post-war political security, international trade, currency, food supply and distribution, aviation and business by means of a series of conferences indicate incidentally the degree to which nations have got to forego their sovereign rights. This partial surrender of the absolute power of the nation states is something that cannot be avoided in any effort to establish security, peace and prosperity. The future welfare of humanity hinges upon a compromise between the continuance of sovereign national states and the establishment of a super-state. The nation state before the war had the powers to fetter and shut out foreign trade, to depreciate its currency, to subsidise dumping of its manufactured goods in the free market of a feeble neighbour, to encourage cut-throat competition with the object of destroying the industry of a rival nation, to connive at unfair monopoly practices and to do many more similar things. It is the surrender of all these powers to injure a neighbour that the security of the post-war world demands as its first and most important price. The gospel of freedom in economic matters has become anachronistic in the present day world. It is by proper appreciation of those several factors that nations can really come together and pull unitedly towards the ultimate goal of universal peace and prosperity among mankind.

Methods of Achieving the New World Order :

The goal must be first of all clear in order to reach it, secondly the path must be well chalked out. So far as the various conferences held recently show, all the

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nations in the world are quite definite about the goal—full employment, prosperity in the shape of higher living standards, peace, security from further wars—in short, as expressed in Roosevelt's Four Freedoms. But what is the road that should be followed? In this matter there are theoretically two conflicting schools, the capitalistic and the communistic.

19th century capitalism based on the doctrine of *laissez faire* in which everybody does what he likes with himself and his possessions is nowhere at the present time upheld in its pristine purity. It underwent radical modifications even in the latter half of the last century. Factory Acts, tariffs on imports, health and sanitary regulations by the state, have contributed to damage to a considerable extent the philosophy of freedom of enterprise. In the present century, especially after World War I, severe restrictions have been imposed on the free market mechanism. The inter-war period has seen numerous acts of direct intervention in economic activities by the state. Import and export quotas, credit rationing, compulsory closing down of factories, prohibition of the cultivation of certain crops, fixation of maximum prices for primary products, are some of the important acts of control that have been exercised by states all over the world during and after the Great Depression. In Fascist countries, the acts of intervention initiated by the depression had been followed up by those taken for the attainment of the Autarkic ideal and for war preparation. States have gone on extending the scope of their controls at a rapid pace. Although ideologically wedded to capitalistic principles, Germany and Italy made large scale state intervention in the economic sphere in carrying out their programme of building up the nation's might. At the same time, Russia, animated by a different ideology, had made a clean sweep of all capitalistic institutions. In her attempts to build a new world out of the wreckage of the capitalistic economy, she has experienced many difficulties and tribulations and has come ultimately to dilute communistic principles with

doses of capitalistic practice. The New Economic Policy was a confession of the failure of orthodox communistic principles to work. The revival of free enterprise in certain sectors of national economy like retail trade, the recognition of the value of private property to a limited extent, the admission of the necessity of a certain degree of inequality in income to serve as an incentive to work and the adoption of the system known as Stakhanovism, are all points to prove that the U.S.S.R. in her struggle to improve social welfare, has discovered the utility of mixing the divergent principles of communism and capitalism. It will be evident, then, that at the present time there is practically no hostility between these two systems. Above all, the present total war has taught all the nations, belligerent as well as neutral, that without state intervention on an unprecedented scale, they cannot even live, not to mention waging war to a successful conclusion. The war has witnessed an unexampled regimentation of national economies. No segment of the national economy is immune from state control. Thus the experience of both the pre-war decade and the war years has given a clear solution to the apparent irreconcilability of socialism and capitalism. It is hardly necessary at the present juncture to dwell at greater length on this question. We may, without further arguments or examples, conclude that the road to be chosen to reach the goal of social security and prosperity does not lie this way or the other, along pure socialistic or capitalistic systems, but lies between the two. It is in the harmonious blending of these two rival ideologies that humanity should find its material well-being.

LECTURE II

POST-WAR RECONSTRUCTION—INDIAN ASPECT

Resume of Lecture I :

It has been pointed out in the first lecture that international co-operation in the spheres of trade, currency, food, etc., is essential for the ordered progress of all the countries both backward and advanced ; the objects of international planning are to avoid war among nations and to promote social prosperity ; the nation-states should themselves readjust to the modern conditions of mutual inter-dependence and revise the connotation of political sovereignty ; finally in view of the facts that unfettered private enterprise has become discredited and pure communistic principles are unworkable, progress and prosperity can be assured only by a combination of both the doctrines, *viz.*, by controlled economy. This lecture endeavours to point out the salient principles of economic development in India after the war in consonance with the ideals of international peace and prosperity.

Economic Planning in India :

India has not been an exception to the general desire of the world to change the texture of human life in the Post-War years. Reconstruction plans have emanated in India both from official and non-official sources. The Government of India, impressed at an early date by the magnitude of the problem that the country will have to face after war, convened on 23rd June 1941 a post-war Reconstruction Committee under the chairmanship of the Commerce Member. This Reconstruction Committee has been working with the help of four sub-committees for—

1. Labour and Demobilisation,
2. Disposals and Contacts,

3. Public Works and Government, and
4. Trade, International Trade Policy and Agricultural Development.

A great deal of work has been done since the constitution of these sub-committees and the recently published Second Report on Reconstruction Planning embodies the general principles as well as a summary of development policy in respect of certain main subjects.

In the non-official world, keen interest has been evinced in this subject by the representatives of both capital and labour. The Bombay Plan drawn by eight eminent industrialists, the first and second parts of which are now in the hands of the public. has evoked the greatest amount of discussion on this subject. Another Plan drafted by the Indian Federation of Labour, known as the People's Plan, has looked at the problem from the point of view of labour. In addition to these three main efforts in the direction of Planning for Security and Prosperity for India in the years to come, there have been numerous schemes published by the Provincial and State Governments affecting their respective jurisdictions and by economists and other public-spirited men. A very respectable body of literature has grown on the subject of Post-War Planning which is in marked contrast to what happened during the World War I. It will not be humanly possible to discuss within the limits of a single lecture, the multitudinous aspects of this gigantic problem. I have proposed to confine myself to certain salient features in this brief discourse.

The last Great War contributed a great deal to the starting of industrialisation in this country. It was then that the Cotton Textile industry crossed the period of adolescence and the iron and steel industry gained healthy childhood. Many more industries were started and they prospered in the absence of foreign competition. But with the conclusion of the peace, the flood gates of foreign competition were thrown open and many an infant industry began to decline and decay.

This sad result was mainly due to the absence of comprehensive pre-planning before the end of the war. Now, however, there has been no lack of planning beforehand and it is to be hoped that a sound policy will be followed which will promote India's social and material welfare without at the same time conflicting with the general principles of international planning for peace and prosperity.

Effects of War on Indian Economy :

The peculiar conditions of war-time have laid bare certain vulnerable points in the Indian national economy. The deficit in food supply has been clearly brought out after the fall of Burma by the famine conditions that prevailed for many months in 1943 in many parts of India particularly in Bengal, and in Malabar and Travancore in the South. The absence of certain basic industries, such as heavy chemicals, engineering and metallurgical and fertilizer industries, has at no time been felt so keenly as during the present war. Had there been a proper development of these industries, Indian War effort would have been much greater than it has been. Once the Government of India realised these structural deficiencies of Indian national economy, they hastened to rectify them. The Roger and Grady Missions emphasised the need for the setting up of important industries ; as a result to-day India has a fair number of machine tool factories ; a fertilizer factory will be established very shortly. The strategic importance of India, in view of the war with Japan, has made it the base of the United Nations. Several docks had therefore to be built for repairing ships, and a big aircraft workshop set up in Bangalore. In this manner, the tempo of industrialization has increased with the progress of the war. Even in the case of several consumption goods industries, thanks to the cessation of foreign imports and despite the adverse conditions of war, there has been a noteworthy progress. India is fast

learning to manufacture many of the consumption goods for which she has many natural advantages and far which she has depended on imports before the war. The fruits of all such industrial development cannot be allowed to go to waste at the end of the hostilities as it happened once before in the years after 1918.

Certain other facts of fundamental importance to India should be mentioned in this connection. The exigencies of war made the United Nations buy Indian goods in an ever-growing measure, and this has enabled India not only to discharge almost all her sterling debts but also to build huge sterling balances in the United Kingdom. The change of status from debtor to creditor country is a matter of considerable significance. Further, even before the Bengal famine, realising the short supply of food grains in this country, the Government of India inaugurated in April 1941, a Grow More Food Campaign which has grown with the passage of years and is bound to render great good in the post-war years. Lastly, the Indian Armed Forces have reached a respectable strength exceeding as it has done the 2,000,000 mark. Before the war, compared with the population, resources and the geographical position of India, her Defence Forces were grossly inadequate. Thus, from the monetary, food and military points of view, the present war has changed radically India's position. It is incumbent upon every planner of Indian economy to take all these factors into consideration and provide for their continued development during the post-war years. As Sir Jwala Prasad has remarked, unlike many other countries, India has been in a fortunate position in which her material wealth has not been damaged by war. In countries like France and Poland, reconstruction is a term truly applicable to the nature of work lying ahead of them. But in the case of India. it will be fitting to describe the attempts to be made as development rather than reconstruction. Indeed the authors of the Bombay Plan seem to hold this opinion as it is evident from the fact that the term

'reconstruction' is nowhere mentioned in their two brochures.

The position may then be summed up as follows: Many unexpected material advantages have accrued to India during the present war. It is necessary that these benefits should not be lost in the post-war years through a lack of clear-cut proposals for sustaining and improving them. Most important of all, the economic and industrial development, initiated by the exigencies of war, should be continued until the wealth of India has increased sufficiently to enable her citizens to attain such standards of life as are deemed to be civilised.

Defects of Having Too Many Schemes of Planning ;

Although it is good to have more than one scheme of economic development drafted by different interests in the community emphasising their respective aspirations and needs, there is always a risk in having too many of them at a particular moment before the public. For it leads to a division of public opinion into rival camps, each section being driven by partisan spirit to indulge in carping and destructive criticisms; for organised economic development, unity of purpose coupled with central direction is a vital necessity but the presence of too many schemes results in fissiparous tendencies which are detrimental to the formulation and execution of a common policy. Advantage may, however, be taken of the various plans proposed at the present time by a careful study and analysis of each one of them. A careful synthesis of the good points in all the literature and thought on the subject is bound to be of great good. It is of fundamental importance that a single scheme embracing the whole of India should be evolved and put into effect.

Basic Points of a Sound Scheme :

Economic planning in India, with a view to improving the quality of the human resources of this

country, must take into account the extreme poverty of the masses, the large scale unemployment of the rural population, and the absence of organised and widespread health and sanitary services to fight diseases and dirt. Further, the lack of heavy basic industries must receive proper attention, as also the full exploitation of India's material resources. Finally, the trade policy in conjunction with the currency and exchange mechanism deserves careful attention. The chief aim of any scheme for the economic development of India should be the eradication of the appalling poverty prevailing in rural India as well as in the urban working class homes. In this respect there is a striking unanimity among all the planners. "The principal objective of our plan," say the authors of the Bombay Plan, "is to bring about a doubling of the present *per capita* income within a period of 15 years from the time the plan comes into operation." The People's Plan remarks that "the central problem of Indian Economy is the problem of poverty. The solution of the problem of poverty, therefore, lies in an increase in the productivity of labour. This can be achieved through the mechanisation of production, both agricultural as well as industrial." The Government of India have also clearly stated that the ultimate object of all planning must be to raise the standard of living of the people as a whole and to ensure employment for all. This problem of lifting the people of India from the almost sub-human living standards of to-day is itself a formidable one; it is, owing to war, complicated further by the problem of transition from war economy to that of peace.

Demobilisation and Transition from War to Peace :

The magnitude of the problem of shifting the national economy from a war footing to a peace footing cannot be minimised. It has given rise to a great deal of discussion and to the setting up of new departments

or disposal of military contracts, disposals and utilisa-
ion of ordnance factories, etc. In India, however, this
roblem will not be of such dimensions as in the United
Kingdom or the United States of America. Taking first
ne two million and odd men constituting the defence
orces of India, it is important to remember that not all
f them should be disbanded and sent to their homes.
Prior to the war, the Indian army had been extremely
nadequate to defend her frontiers. An army consisting
f less than 5 lakhs, a navy with not even a dozen
apital ships and an air force in an embryonic stage
ould never have been described as large in relation to
ne population of India. So after the victorious end of
ne present war, it will be necessary to maintain the
rmy at least at a million and to improve considerably
ne Navy and the Air Force. Defence forces of this
rength and size, forming not more than 0·3 per cent of
ne entire population, cannot be reckoned disproportion-
tely large. In estimating the size of the Defence
orces, the long coast line, and the vulnerability of the
orth-western and north-eastern frontier will have to be
onsidered in the proper perspective of future national
roupings. Even if the Dumbarton Oaks Conference
hould lead to the establishment of a powerful and
rong Security Council, no nation, for many years to
ome, can afford to pursue a policy of complete dis-
rmament. If this argument is accepted, the problem
demobilisation of the forces need not look so frighten-
g as it has done in recent times. It will be of interest
note in this connection the decision of the Government
His Highness the Maharaja of Mysore not to
emobilise any section of the State forces after the War.

The expansion of the iron and steel factories, the
ilding up of the machine tool industry and develop-
ents in other spheres have contributed only to rectify
ructural defects. These war time factories and
dustries are not going to result in any large surplus
pacity. For the attainment of full employment and
lanced economy, India will have to make further efforts,

in addition to those forced by the exigencies of war, in the direction of industrialization. This survey of the peculiar conditions of India is intended to show that the problem of demobilisation will be less serious in India than in any other Western country but is not designed to minimise in any way the technological difficulties inherent in switching over industry from the forging of swords to the beating of plough shares. During the period of transition, the first concern of the Government should be to find employment for the men—who according to our contention will not be 2 millions or more but only a million or a little less—demobilised from the Defence Forces. It is, however, a short-range problem.

Needs of a Long-Range Programme—Industrial :

Turning from the immediate to long-range problems, the purpose of planning is to evolve an ordered development without any violent break with the present. The Bombay Plan has rightly emphasised this aspect in addition to stability. The very definition of planning precludes all kinds of piecemeal tinkering with the economic problems of the country but implies a co-ordinated all-round growth. The problems to be solved are numerous and obvious ; the deficiencies in the industrial structure of the country should be carefully examined and a programme for the post-war period, consistent with the size and nature of the resources of the country, should be prepared. Plant and machinery available in several factories which have come into existence during the emergency for supplying military requirements and which cannot be sustained after the war, have to be utilised for the production of civilian requirements. Possibilities have to be explored for starting consuming and subsidiary industries to absorb the surplus production from factories which have enhanced their peace time capacities to meet the abnormal demands created by war. The utilisation of

structural steel and other salvage materials of construction, released by the demolition of temporary buildings, for restoring normal constructional activities, require consideration. Information relating to the availability of raw materials and processes developed during the war period has to be collected, carefully assessed and applied to the development of new and profitable industries after the war. A bold policy of developing the non-ferrous metal industry in India will have to be pursued. The development of the fuel and power resources of India is necessary for accelerating the pace of industrialization. The scientific utilisation of low grade coals needs special attention. These are the urgent requirements of planning in India, for the national economy has been far too long based too much on agriculture. The Bombay Plan aims at raising the net product of industry, including large and small industries, to approximately five times the present output while that of agriculture to a little over twice the present figure. Such a disparity in the rates of development between manufacturing industry and agriculture is necessary since a uniform rate of development in all directions will result merely in stereotyping the present structure.

Certain Facts of the Planning Policy :

Statistics of present production have been so well thrashed out in public discussions and in the press that it is not necessary to crowd them into a discourse of this type where I propose to confine myself to an exposition of a few important facts of the policy of planning. It will be evident from the analysis of the industrial structure of India that there had been serious lacunæ in it prior to the war with respect to chemical, metallurgical, machine tool, ship-building, locomotive, automobile and air craft industries. It will not be the intention of any plan to manufacture articles in huge proportions for export purposes It may be asserted

even at the outset, that for long years to come, India will not be concerned with manufacture for export. She has got a huge market within her national borders consisting of nearly one-fifth of the population of the world which can absorb all her manufactures provided it is given a larger quantity of purchasing power. The cultivation of the home market is of vital significance to the development of her industries. The masses must have more money to spend. In this connection, H. Frankel's pregnant observation (quoted in the People's Plan) should be given wide publicity. He says : "The industrialization of a country holds some dangers for other countries, if the production of manufactured goods industries is undertaken mainly for foreign and not for home consumption or if the bulk of the population does not benefit from the increase in the national income associated with industrialization. The lack of an increasing purchasing power of the population will result in the attempt to export the produce of the newly created industries." It is relevant here to note that even in pre-war years the Indian cotton textile industry had been exporting piecegoods to Africa and Eastern markets although the average *per capita* consumption in this country had not exceeded about 16 yards per annum. Similarly if other industries set up by any system of planning cater to the needs of foreign markets, the position will be fraught with two dangers : the benefits of industrialization will not be shared by the bulk of the population and the industries themselves will have a precarious existence which may be jeopardised by hostile tariff policies in the foreign countries. These points have got to be stressed because, thanks to technical progress, it will not be difficult to build up new industries in this country regardless of the capacity of absorption of the manufactured goods by the home market. In stressing this very important aspect, the purpose is not to hold up the pace of industrialization, long overdue in this country, but only to draw pointed

attention to the necessity for developing a big home market.

Possibility of Importing Capital Goods and Technical Skill at the Initial Stage :

With regard to the import of capital goods, machine tools and skilled technicians for launching the programme of industrialization, doubts are entertained in certain quarters whether highly advanced countries will genuinely offer help. The fear that a fully industrialized India will deprive these countries of a very good market may influence adversely their willingness to help ; but the presence of a large surplus of machinery, machine tools and a large number of skilled workers after the war will naturally offer no alternative to them except to export them to countries like India which need them. That a policy of some such kind will be adopted by the advanced industrial nations is well borne out by Mr. Amery's recent exhortation to British industrialists that they should hereafter manufacture such types of goods as will be in constant demand by the erstwhile buyers of mere consumption goods. It is necessary that the advanced countries have to readjust their productive mechanism in consonance with the changing needs of other countries. Such a mutual readjustment is a basic need and should form a fundamental part of a World Economic Charter. In connection with the importation of machinery and skilled workers into India, a considerable volume of discussion has been going on about our weekly-growing sterling balances of more than 1,000 millions. It is my humble opinion that Britain will never think of repudiating them as certain mischievous publicists in that country advise ; I am sure His Majesty's Government will also provide for its repayment within a period of 10 or 12 years. It will redound to the credit of Britain if she can also provide for India dollar resources representing 30 or at least 25 per cent of our sterling balances, a large quantity of which would

have accrued naturally to us had it not been for the creating of an Empire dollar pool. Britain must have understood by now that her export trade should not be based upon consumption goods in the post-war years; if it were so, it requires no plea from India that she should effect repayments in terms of capital goods. If such correct estimate of the future pattern of international trade is lacking on the part of Britain, it will be only to her disadvantage.

Development of Internal Market:—Reorganisation of Rural Economy:

The problem of developing a large and adequate home market can be solved by increasing the purchasing power of the masses. This can be achieved only by agricultural reorganisation. The necessity for an improvement in the yield of Indian agriculture has been acutely felt ever since the loss of Burma and the rice-exporting countries of the Far East. Although agriculture is the prime industry of the country on which nearly three-fourths of the population depend for their livelihood, it has not been able to provide for the adequate nourishment of the Indian people. On an average during the ten years preceding the stoppage of imports of food grains, India imported 14 lakhs of tons of rice from abroad. Hence an agricultural reorganisation on the right lines will confer the twin blessings of national self-sufficiency with regard to food and of the development of a home market for Indian industrial products. What are the present obstacles in the way of agricultural regeneration in India and the achievement of this grand objective? Primitive methods of cultivation, fragmented, sub-divided and uneconomic holdings and absentee landlordism are the triple curses of Indian agriculture. Improved methods of cultivation, supply of pure seeds, mechanisation of agriculture wherever feasible, are the crying need at the present time. Intensive rather than extensive cultivation should yield the

desired results ; for the land classified as cultivable waste is not at all cultivable without irrigation facilities involving huge and costly engineering works. Of course, irrigation reservoirs will have to be constructed on an extensive scale, and they must also be capable of serving as Hydro-Electric projects. Even then, intensive cultivation is sure to yield better results especially in view of the comparatively low yield per acre in India of almost all the agricultural products.

The problem of fragmented holdings must be solved by statutory means. Persuasion has been tried for the last two decades and found wanting. Nothing short of compulsory consolidation with a view to the formation of economic holdings can achieve our objective. This process must be buttressed by statutory enactments enforcing impartible economic holdings of a minimum size. There is great scope for co-operation to play in this field ; consolidated holdings may be cultivated on the system of co-operative farms.

It is estimated that at present 70% of the land in India is subject to parasitic landlordism. The area under Zamindari and Mahalvari systems of land tenure in British India is about 327 million acres or 64% of the total area cultivated. The hopes of the early British Indian administrators that these landlords would become pioneers of agriculture have not been realised. Very few have taken enough genuine interest in agriculture to justify any further continuance of this system. A single tenure on the model of the ryotwari system will have to be introduced. Even under the ryotwari system absentee landlordism is prevalent, and it will have to be eradicated. In this effort, the principle of compensation by means of 15 or 20 annual instalments may be adopted to divest the Zamindars of their inherited rights. All these reforms are of cardinal importance to any attempt to place Indian agriculture on a really sound basis. After those reforms have been effected, the state that pursues a policy of planned economy, has to undertake the difficult yet necessary task of regulating the

cultivation of the various crops. In the inter-war period there was an advance in the acreage of non-food crops at the expense of essential food crops. The state can no longer afford to witness with unconcern the substitution of commercial crops for food crops. In order to induce the agriculturists to stick to the cultivation of food grains, a scheme of price stabilisation of agricultural commodities will have to be introduced. Further, even among money crops, the state must have the right to prohibit or restrict the cultivation of such non-essential ones like short-staple cotton. All these things call for active state intervention in individual economic pursuits.

Increasing the Purchasing Power of the Rural Population :

The poverty of the rural masses will have to be attacked on more fronts than the agricultural. The provision of profitable subsidiary occupations that can be undertaken in their spare time is an urgent need. It should be the constant endeavour of the planners to release as much of the population from agriculture as possible. The establishment of new industries will offer attractive inducements to some part of the population to migrate to industrial centres. But the heavy pressure of population on land cannot be relieved unless cottage industries on a wide scale are started which may be able both to use electricity for motive power and to produce a wide range of consumers' goods. The establishment of cottage industries holds out the prospect of utilising to the best advantage the vast human resources available in this country with the least amount of capital outlay. It is a basic principle of economics that the profitable utilisation of a country's resources does not necessarily require a high degree of mechanisation where plentiful and cheap labour is available. The fostering of cottage industries in India is in conformity with this canon. Thus effective utilisation of idle labour resources

will increase the earning capacity of the rural population and put more money into their pockets. It has been estimated that if all the men in India buy a pen-knife each and all the women a pair of scissors each, it will keep the iron and steel factories in India working at full capacity for months. Similarly, the amount of goods that the Indian masses can buy will be greatly increased if the average *per capita* income is doubled, as is proposed by the Bombay Plan. The setting up of large scale industries in convenient centres and cottage industries all over the country will provide great opportunities for profitable work for the unemployed millions. But they will not be in a position to avail themselves of them if they are steeped in dirt and squalor, undermined by malnutrition and subject to periodical visitations of pestilence.

Health and Nutrition Problems :

The projected plan for economic development must include schemes for stamping out diseases and building up the health of the nation by means of an adequate and balanced diet. One could understand the present conditions of health by glancing at the mortality and morbidity figures ; a recorded death rate of 22 per 1000, an infantile mortality rate of 162 per 1000 live births, an average annual mortality of 145,000 from cholera, of 70,000 from small-pox, of 31,000 from plague, of 290,000 from dysentery and diarrhoea, of 500,000 from tuberculosis and of 3,667,000 from " fevers ". The appointment of the Health Survey and Development Committee under the Chairmanship of Sir Joseph Bhore in October 1943 shows that the Government is aware of the necessity of finding out methods for the future development of health. According to Col. MacCarrison, " Nutrition is the most pressing of all present day problem in India." " Mal-nutrition and nutritional diseases," says Dr. J. B. Grant, Director, All-India Institute of Hygiene and Public Health, "are *omnipresent*." Planners should take all possible steps to make food supplies and especially

protective foods available at prices within the reach of all classes of community, while at the same time safeguarding the interests of the producers. The question of the nutritional needs of the individual in India and nutritional Education has recently been under review by the Nutritional Advisory Committee which has prepared a report for consideration by the Bhore Committee. Even if an adequate supply of the right kind of food stuff is ensured, educational propaganda will have to be carried out before the population can be induced to improve their diet so as to conform to scientific requirements. I have dwelt rather at length on this problem because as Sir Joseph Bhore has aptly said, " the health of the nation is the foundation on which the entire superstructure of all its development and progress depends and plans for reconstruction in other spheres now being considered will be infructuous or yield an attenuated harvest of results unless the reconstruction is based on the foundations of a strong, healthy and virile people."

Educational Reform :

Next to health, education is an important condition determining the efficiency of labour. To maximise the productivity of the Indian population, a comprehensive system of education for both growing children and adults is essential. The report of the Central Advisory Board of Education contains an ambitious plan that will cost Rs. 312 crores gross or Rs. 277 crores nett per year when it has come into full operation after about 40 years. The amount seems to be very big but it does not cost more than 12 annas per head of the population per annum. The necessity for this educational complement of the development programme is too obvious to need any further amplification.

I have so far endeavoured to look at the programme of agricultural reorganisation and provision of subsidiary occupations from the standpoint of increasing the purchasing power of the bulk of the population. It is not

only a means to gain higher living standards but an end by itself for the former will assure sufficient food supply. Only by reducing the dependence of Indian economy on agriculture, by increasing the tempo of industrialization and by thus trying to construct a balanced economy can the problem of poverty be solved to any appreciable extent. But mere increase in production, unaccompanied by an efficient and equitable system of distribution of what has been produced, will not be conducive to the attainment of our objectives. A good system of road, rail, inland water, and sea transport is indispensable for the rapid movement of raw materials to the factories and finished goods to their markets. Most important is an efficient and quick transport system for the movement of food from the surplus to deficit areas. All the four methods of transport should be co-ordinated from the centre and air transport should be superimposed on the entire transport structure thus reared. There is hardly time at my disposal to go into the details of India's requirements in this particular sphere. However, one example would illustrate the utterly inadequate position of the pre-war days. Recently His Excellency the Viceroy, presiding over the annual prize distribution of *I.M.M.T.S. Dufferin* remarked :—" To India the development of a Merchant Service is specially important. I believe there are only two or three countries with a longer coast line than India, probably only two, Australia and the United States of America with a greater length of generally navigable coast line. Russia and Canada may have longer stretches on the map, but they are largely ice-bound and useless for trade. So it is esential that India should have an adequate strength of shipping manned by its own citizens." The Yellow Book declares that "for a country of its size, the length of its coast line and its strategic position athwart one of the world's main sea routes, India possesses a distressingly small number of deep-sea ships, which at the outbreak of the war stood at no more than 30 with less than 150,000 gross tonnage."

In the development of shipping the following are the aims according to the Government Plan : —

1. Acquisition of an adequate share in the world's carrying trade.

2. Substantial share in the near trades, *e.g.*, Persian Gulf, East Africa, Malaya and Dutch East Indies.

3. A fair share in the eastern trades. especially those trades of which Japanese shipping will have been dispossessed.

4. A complete reservation of the coastal trade. Similarly in the case of road rail transport, the mileage will have to be increased in proportion to the volume of trade which is bound to grow with the progress of industrialization.

Before concluding I would touch very briefly on two more points: Social Security and financing of the development programme. Unemployment is the greatest scourge of the modern world. One may, in the modern world of flux, be thrown out of employment for various reasons, disability, disease, old age or technical improvement. In any sound Scheme of Social welfare, it is necessary to provide for benefits for unemployment of every type. In the case of women, benefits for marriage, widowhood, separation, maternity, etc., should be added. Lastly, children should never be made the cause of lowering the standard of life of their parents. Allowances for children should be sufficient to provide them with nourishing food. These are some of the most important lines of reform. The Beveridge Plan of the United Kingdom, the National Resources Planning Board Plan and the Wagner-Murray Bill in the U.S.A., the Marsh proposals in Canada, and the actual New Zealand programme, all recognise the different hazards of modern economic life. Social Security implies that every individual in society, be he industrial, transport or agricultural worker, should enjoy the highest material well-being

compatible with potential productive resources. This is a goal which no kind of planning can afford to lose sight of.

Regarding the finances necessary for the entire scheme of post-war reconstruction, one need not get dismayed. If the United Kingdom can find it possible to spend more than £15 millions a day in waging this total war, the monetary mechanism must have sufficient flexibility. Provided the planners have the will, they can also make the currency and credit machinery flexible enough to yield sufficient financial blood to irrigate the development scheme. Besides this machinery which is available to all the nations in the world, India can also tap her hoarded wealth as well as draw from the frozen sterling balances. It is said that in war time finance is an instrument, a servant, and not the arbiter or master. The same should be its status when a grand reconstruction programme is on the anvil.

In conclusion, I must admit that, owing to limitations of time, I had reluctantly to exclude from my discussion many other cardinal points of a Reconstruction Scheme such as the machinery to be set up, the exact scope that private enterprise can play and the reduction of the huge disparities in income. But I have endeavoured to present to you a picture of the Post-war Reconstruction programme from the angle of industrialization *versus* agriculture. I have made out a thesis that the development of home market is a necessary condition for intense industrialization, for which the rural population should be made at once efficient workers and earners and producers of adequate food for the entire population. At the same time one cannot forget the ultimate objective of all plans, *viz.*, raising the living standards of the teeming millions of India and the full utilisation of the abundant natural resources for making the country a decently good habitable place.

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ಕನ್ನಡ ವಿಶ್ವವಿದ್ಯಾಲಯ – ಹಂಪಿ
ವಿದ್ಯಾರಣ್ಯ

ವರ್ಗೀಕರಣ ಸಂಖ್ಯೆ :

ಪರಿಗ್ರಹಣ ಸಂಖ್ಯೆ :